

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 03066 021101Z
ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06
OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-12 /106 W
-----082483 021143Z /13/63

P 311159Z OCT 77
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC PRIORITY 6848

C O N F I D E N T I A L ABU DHABI 3066

C O R R E C T E D C O P Y (PARA 2 LAST 3 LINES)

FROM THE AMBASSADOR

E.O. 11652: GDS
TAGS: ENRG, TC
SUBJECT: MOBIL OIL REQUEST FOR COMMENT ON UAE RUMORS

REF: STATE 259406

1. WHEN I MET WITH OIL MINISTER UTAYBA OCTOBER 24, WE ALSO
DISCUSSED TALKS THAT HAVE BEEN AND STILL ARE UNDERWAY BY OIL
MINISTRY AND ADNOC WITH ADPC AND ADMA TO STEP UP
EXPLORATION FOR NEW OIL RESERVES. AS INDICATED IN ABU DHABI
3018, I WILL BE SUBMITTING AIRGRAM ON THIS SUBJECT.

2. IN OUR MEETING UTAYBA COMPLAINED THAT TWO MAJOR CONCES-
SIONAIRES (ADPC AND ADMA) HAD DONE VIRTUALLY NO EXPLORATORY
DRILLING IN LAST FOUR YEARS. AS AN EXAMPLE, HE CITED ADPC.
EVEN THOUGH IT HAS PRODUCTION OF LITTLE OVER 1 MILLION BPD, HE
CLAIMED ADPC HAD DRILLED ONLY FOUR EXPLORATORY WELLS LAST
YEAR. IN CONTRAST, HE SAID OIL COMPANIES IN VENEZUELA, WHOSE
RATE OF PRODUCTION ROUGHLY EQUAL TO THAT OF UAE,
HAD DRILLED 300 WELLS LAST YEAR IN EFFORT FIND NEW
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 03066 021101Z

OIL RESOURCES. UTAYBA REITERATED WHAT HE HAD SAID
PUBLICALLY AND WHICH HAS BEEN PUBLISHED IN OCTOBER 10 MEES
THAT UAEG NOT ONLY WANTS COMPANIES TO STEP UP EXPLORATION
BUT WANTS THEM TO TAKE BETTER CARE OF THEIR PRESENT
PRODUCING OIL FIELDS. HE CITED EXAMPLE OF BU HASA FIELD
(LARGEST ONSHORE FIELD IN ABU DHABI) WHERE NORMAL
AVERAGE PRODUCTION IS A LITTLE OVER 500,000 BPD WITH

WATER INJECTION RATE OF 400,000 BPD. HE THOUGH WATER INJECTION RATE SHOULD BE AT LEAST EQUAL TO EXTRACTION RATE FOR GOOD OILFIELD PRACTICES AND HAD SAID SO. RECENTLY, HOWEVER, ADPC HAD INCREASED PRODUCTION AT BU HASA TO 690,000 BPD TO COMPENSATE FOR PRODUCTION LOST AS RESULT OF LINES RUPTURED IN FIRE AT HABSHAN PUMPING STATION LAST AUGUST, BUT IT HAD NOT INCREASED WATER INJECTION RATE. HE HAD ACCORDINGLY INSTRUCTED ADPC STOP THIS "OVER-PRODUCTION" AT BU HASA AND RETURN TO THE NORMAL PRODUCTION RATE IN NOVEMBER AND DECEMBER.

3. ON OCTOBER 25, DURING COURTESY CALL BY EXXON REP JACK CRUTCHFIELD, LATTER MENTIONED THAT ADPC MANAGER GILLAN HAD BEEN REPRIMANDED BY OIL MINISTER UTAYBA FOR ALLOWING PRODUCTION AT BU HASA TO EXCEED ALLOWABLE. CRUTCHFIELD EXPLAINED THAT THE FIRE AT HABSHAN PUMPING STATION HAD CAUSED A PRODUCTION LOSS OF ABOUT 50,000 BPD. IN SEPTEMBER, THERE HAD ALSO BEEN UNDERPRODUCTION. IF A SWITCH IN ALLOWABLES IN THE DIFFERENT FIELDS WAS NOT PERMITTED TO MAKE UP FOR HABSHAN FIRE AND FOR LOWER PRODUCTION IN SEPTEMBER, ADPC WOULD NOT BE ABLE TO MEET ALLOWABLE OF 1,036,000 BPD FOR 1977. THUS BY REQUIRING BU HASA TO GO BACK TO ABOUT 500,000, ADPC AVERAGED DAILY PRODUCTION FOR THIS YEAR WOULD DROP TO ABOUT 1,020,000 BPD. CRUTCHFIELD DISPUTED CLAIM THAT ADPC USING POOR OILFIELD PRACTICES, STATING THAT OVER-PRODUCTION IN ANY ONE MONTH

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 03066 021101Z

COMPENSATED FOR UNDERPRODUCTION PREVIOUS MONTH. ON QUESTION OF NEW EXPLORATION, ISSUE REVOLVES AROUND MONETARY INCENTIVES NEEDED STIMULATE THIS EXPLORATION.

4. SUGGEST YOU INFORM PETER CHASE OF MOBIL THAT I DID MENTION TO CRUTCHFIELD WHAT UTAYBA HAD SAID TO ME ABOUT EXPLORATORY DRILLING AND HIS CONCERN OVER THE WATER INJECTION RATES IN BU HASA. HOWEVER, THIS WAS NOT PUT TO ME IN TERMS SUGGESTING UTAYBA WAS INVOLVED IN OR SOUGHT A CONFRONTATION WITH OIL COMPANIES. THERE IS OBVIOUS DIFFERENCE OF OPINION INVOLVED ON HIGHLY TECHNICAL ISSUE BUT I HAVE NO REASON TO BELIEVE THAT SERIOUS SOURING IN RELATIONS BETWEEN EMIRATES AND ADPC HAS OCCURRED. YOU MAY ADD THAT WHILE I AM UNABLE TO JUDGE MERITS OF TECHNICAL ARGUMENTS ADVANCED BY BOTH SIDES, IT IS MY IMPRESSION THAT PART OF PROBLEM MAY STEM FROM FAILURE BY ADPC TO GIVE UAE OIL OFFICIALS FULL AND TIMELY RATIONALE FOR THEIR SWITCHING ALLOWABLES AMONG DIFFERENT ONSHORE FIELDS TO ASSURE 1.035 MILLION BPD RATE FOR 1977. OIL MINISTRY THEREUPON PROBABLY CONCLUDED THAT ADPC WAS ACTING IRRESPONSIBLY AND FELT NEED TO ORDER CUT-BACK AT BU HASA. CLEARLY THERE SEEMS TO BE NEED FOR FRANK AND FULL DIALOGUE AMONG OIL COMPANIES AND GOVERNMENT POLICY-MAKERS

OVER TECHNICAL ASPECTS OF PROPER OILFIELD PRACTICES AND EXPLORATION PROGRAMS, INCLUDING OF COURSE INCENTIVES REQUIRED BY THE COMPANIES TO MAKE SUCH PRACTICES AND PROGRAMS ATTRACTIVE AND VIABLE.;

5. I HAVE NO INFORMATION REGARDING PRESENT INVOLVEMENT BY FONMIN SUWAIDI IN THIS ISSUE NOR AM I FAMILIAR WITH RUMORS MENTIONED BY CHASE THAT SUWAIDI IS PRESENTLY ENGAGED IN INFIGHTING WITH OTHER UAE OIL POLICY DECISION-MAKERS. TECHNICAL RATHER THAN POLICY CONSIDERATIONS SEEM TO ME TO BE AT HEART OF UTAYBA'S EXPRESSIONS OF CONCERN ABOUT ADPC PRACTICES. DICKMAN

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, DIPLOMATIC DISCUSSIONS, EXPLORATORY DRILLING
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ABUDH03066
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770417-0969, D770401-0071
Format: TEL
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977105/aaaaaduh.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7c8d2b2d-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 259406
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 884728
Secure: OPEN
Status: NATIVE
Subject: MOBIL OIL REQUEST FOR COMMENT ON UAE RUMORS
TAGS: ENRG, TC, MOBIL OIL, (DICKMAN, FRANCOIS), (AL-UTAYBA, MANI IBN SAID)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7c8d2b2d-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009